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Graiver's Ties to the Guerrillas

Our Embassy has reported that respected sources in military intelligence and the police state there is no information supporting the thesis that the Montoneros used Graiver or his banks to invest ransom monies.

- Even the allegation that the Montoneros kidnapped Graiver's brother is false. It appears that the 1972 kidnapping was a successful extortion attempt by the Buenos Aires Provincial Police who obtained \$800,000 in exchange for Graiver's brother.

- As for Montonero funds, \$150 million of these were in a Swiss bank while another \$50 million were cached in Argentina. In February-March 1977, in a spectacular coup, Argentine Army intelligence recovered \$85 million of the Montonero funds, including \$64 million from two accounts (one in Geneva and one in Madrid) as well as \$21 million hidden in safehouses in Argentina. While it is true that the Montoneros financed their operations from the interest on their European deposits, none of this money went through Graiver's institutions.

105 Arrests, Including Timerman of La Opinion

On April 22 the Ministry of Interior reported that 105 individuals were being held by the executive under state of siege provisions. Of these, 89 were accused of "economic crimes in connivance with subversion," 15 were accused of "subversion," and only one person, Jacobo Timerman of La Opinion, was charged with "economic crimes." Our Embassy interprets this to mean that no links between Timerman and the terrorists were discovered but that Timerman is probably being held because he had an illegal bank account abroad. More worrisome, the press claims that Timerman told his military captors that he is a "leftist Zionist." He supposedly described his newspaper as left of center, akin to Le Monde of Paris. We do not know what this means but it is usually unhealthy to be considered a leftist of any sort in Argentina.

Attack on President Lanusse's Reputation

Retired Army General and former President of Argentina (1970-73), Lanusse paved the way for the

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return of Peronism to power in 1973. The experiment failed tragically, but Lanusse maintained his reputation and is viewed by many as a compromise Presidential candidate. An effort is obviously underway, however, to destroy Lanusse's chances by linking him and many of his associates to Graiver, who got his start in a sub-cabinet position under Lanusse. President Videla appears to have thwarted efforts by hard-line generals to discredit Lanusse. Videla refused a hard-line general's demand for a military court of honor against Lanusse, when the latter criticized witch hunt aspects of the Graiver affair.

OAS Secretary General Orfila Mentioned

OAS Secretary General Orfila had his name dragged into the Graiver affair early on when Barron's reported in December 1976 that Orfila borrowed \$300,000 from Graiver's New York bank. Orfila acknowledged the loan. More recently the press reported that Graiver, Orfila, Gelbard and others tried to purchase Investors Overseas Services from Robert Vesco. Orfila has denied any involvement with Vesco or IOS. Be that as it may, it is clear that certain sectors in the Argentine military want to damage Orfila's presidential aspirations.

Jose Bar Gelbard's Involvement

Gelbard was Economy Minister under Mrs. Peron and was given asylum in the United States after she fell; he is Jewish. The Argentine government claims that Gelbard was deeply involved in the corruption of the Peron regime and has sought his extradition from the United States. The Argentine government has not submitted sufficient evidence to the United States, however, that Gelbard committed an extraditable offense. In any case, Gelbard is being portrayed in the Argentine press as an active associate of Graiver.

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